

Message Text

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ACTION EB-07

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DEPARTMENT PASS ALL ARA EMBASSIES FOR INFO

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TAGS: ETRD, ENRG, EFIN, XM, CS, VE, EC

SUBJECT: THE OPEC CLAUSE IN THE U.S. TRADE ACT OF 1974

SUMMARY. ALTHOUGH COSTA RICA SUPPORTS THE VENEZUELAN AND
ECUADORIAN POSITION THAT THE EXCLUSION OF OPEC COUNTRIES
FROM THE BENEFITS OF THE U.S. TRADE ACT SHOULD BE TERMINATED,
COSTA RICA DOES NOT FAVOR BOYCOTTING THE MARCH MEETING OF
FOREIGN MINISTERS. THIS MESSAGE REPORTS FOREIGN MINISTER
FACIO'S STATEMENTS IN FAVOR OF CONTINUING A DIALOGUE ON
THE TRADE ACT AND OTHER SUBJECTS WITH SECRETARY KISSINGER
AT THE MARCH FOREIGN MINISTERS MEETING. IT ALSO MENTIONS
SOME APPARENT DISADVANTAGES TO ELIMINATING THE OPEC CLAUSE,
A COURSE OF ACTION WHICH NOW APPEARS TO BE UNDER CONSIDERATION
IN THE DEPARTMENT. END SUMMARY.

1. FOREIGN MINISTER FACIO, IN AN INTERVIEW JANUARY 7 WITH
LA NACION, CAME OUT AGAINST THE IDEA REPORTEDLY ESPoused BY VENEZUELA
AND ECUADOR OF BOYCOTTING THE MEETING OF HEMISPHERIC
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FOREIGN MINISTERS IN BUENOS AIRES IN MARCH AS A MEANS OF

PROTESTING THE U.S. TRADE ACT OF 1974. FACIO EXPRESSED HIMSELF AS BEING IN ACCORD WITH MEXICAN FOREIGN MINISTER RABASA THAT LATIN AMERICAN COUNTRIES SHOULD GO TO ARGENTINA WITH CONCRETE POINTS TO DISCUSS WITH SECRETARY KISSINGER, INCLUDING THE TRADE ACT.

2. FACIO'S SPECIFIC REMARKS ON THIS TOPIC AS QUOTED IN LA NACION WERE: "THIS TOPIC OF THE TRADE ACT MUST HAVE PRIORITY IN THE MARCH MEETING OF FOREIGN MINISTERS. IT IS NECESSARY TO DISCUSS THE TOPIC WITH SECRETARY KISSINGER. THE LOGICAL THING IS THAT WE DISCUSS THROUGH A DIALOGUE THINGS ON WHICH, AS IN THIS SPECIFIC CASE, WE ARE IN DISAGREEMENT. I AM NOT IN ACCORD WITH THE IDEA OF NOT ATTENDING THE FOREIGN MINISTERS MEETING WITH KISSINGER."

3. COMMENTS. A LATE DESPATCH FROM AFP STATES THAT THE SECRETARY WILL ASK CONGRESS TO AMEND THE TRADE ACT TO ELIMINATE THE CLAUSE THAT EXCLUDES OPEC COUNTRIES FROM BENEFITS. THE USIS WIRELESS FILE SPEAKS OF HOPES OF "RELAXING THE PROVISION," A MORE AMBIGUOUS STATEMENT OF INTENTIONS.

CLEARLY IT WOULD HAVE BEEN BETTER IF THE OPEC CLAUSE, WHICH HAS THE APPEARANCE OF BEING DISCRIMINATORY, HAD NOT BEEN INCLUDED IN THE LAW, BECAUSE VENEZUELA AND MOST OR ALL OPEC COUNTRIES WOULD HAVE BEEN EXCLUDED FROM THE BENEFITS OF THE LAW IN ANY CASE UNDER ANY REASONABLE DEFINITION OF THE TYPE OF COUNTRIES ENTITLED TO BE CLASSIFIED AS "BENEFICIARY DEVELOPING COUNTRIES." CLEARLY A LAW DESIGNED TO HELP POORER COUNTRIES PULL THEMSELVES UP BY THEIR BOOTSTRAPS SHOULD NOT ACCORD BENEFITS TO COUNTRIES AS WELL OFF AS VENEZUELA, WHOSE PER CAPITA GNP, EVEN BEFORE THE DRAMATIC RISE IN OIL, WAS TOO HIGH TO MEET ANY REASONABLE STANDARD OF UNDER DEVELOPMENT.

COSTA RICA WOULD CLEARLY WELCOME ELIMINATION OF THE OPEC CLAUSE, NOT ONLY BECAUSE SUCH ACTION WOULD SERVE THE INTERESTS OF ITS NEW FRIEND AND ALLEGED BENEFATOR BUT ALSO BECAUSE OF THE DANGER THAT THE CLAUSE COULD THEORETICALLY BE APPLIED TO COFFEE OR BANANA PRODUCERS OR SOME OTHER PRODUCER GROUPING OF WHICH COSTA RICA MIGHT BE A MEMBER IN LIMITED OFFICIAL USE

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THE FUTURE.

FROM A U.S. POINT OF VIEW, HOWEVER, AMENDING THE TRADE LAW TO ELIMINATE THE OPEC CLAUSE WOULD APPEAR TO HAVE SEVERAL SIGNIFICANT DISADVANTAGES THAT WOULD NOT HAVE OBTAINED IF THE CLAUSE HAD BEEN LEFT OUT OF THE LAW IN THE BEGINNING:

1) IT WOULD FURTHER ENCOURAGE LATIN AMERICANS IN THE MAIN TENET OF THEIR DIPLOMACY, THE BELIEF THAT IF THEY

WHINE AND SCREAM LOUD ENOUGH, PARTICULARLY IF THEY CAN
PRETEND TO ADOPT A POSTURE OF RIGHTEOUS INDIGNATION, THE U.S.
WILL ALMOST AUTOMATICALLY ASSUME A POSTURE OF GUILT AND
CONTRITION AND PROMISE TO CHANGE ITS POLICIES, EVEN IF
SUCH POLICIES WELL SERVE ITS OWN INTERESTS;

2) REMOVING THE OPEC CLAUSE WOULD NOT ONLY REMOVE A
THEORETICAL EXCLUSION, BUT WOULD ALSO STRONGLY IMPLY
THAT VENEZUELA AND OTHER WEALTHY OPEC COUNTRIES ARE
TO BE ACCORDED PREFERENCES TO WHICH THEY WOULD NOT
OTHERWISE BE ENTITLED UNDER THE TRADE ACT, EVEN IF THE
OPEC CLAUSE HAD NEVER BEEN INCLUDED BY CONGRESS; AND

3) IT WOULD THEREFORE IMPLY AN INTENTION TO BESTOW
AN IMPORTANT BENEFIT ON COUNTRIES THAT ARE WAGING
ECONOMIC WARFARE AGAINST THE UNITED STATES AND ITS
TRADITIONAL ALLIES.

PRESUMABLY THESE DISADVANTAGES HAVE ALREADY BEEN WEIGHED
BY THE DEPARTMENT AND DEEMED TO HAVE BEEN OUTWEIGHED BY
OTHER CONSIDERATIONS, IF THE AFP REPORT OF THE SECRETARY'S
INTENTIONS IS ACCURATE. IF SO, PERHAPS THE DEPARTMENT WILL
FIND A WAY TO REMOVE THE OPEC CALUSE WITHOUT IMPLYING THAT
THE OPEC COUNTRIES WILL NECESSARILY RECEIVE THE BENEFITS OF
THE TRADE ACT UNLESS THEY OTHERWISE QUALIFY AND UNLESS THEY
TAKE ACTION TO BRING DOWN THEIR OIL PRICES TO LEVELS THAT
THE WORLD ECONOMY CAN TOLERATE. UNDOUBTEDLY, THE DEPARTMENT
WILL RECEIVE THE COUNSEL ON THIS SUBJECT OF THE CHIEFS OF
MISSION OF ARA POSTS, WHO ARE ASSEMBLED IN WASHINGTON THIS WEEK.
OGG

NOTE BY OC/T: NOT PASSED ALL ARA EMBASSIES.

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